UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re **Ameriflex Engineering, LLC** Debtor(s)	) Case No. **17-60837-tmr11**)) NOTICE OF ***PRELIMINARY***) HEARING ON MOTION) ☒ FOR USE OF CASH COLLATERAL) ☐ TO OBTAIN CREDIT) *(Check One)*

YOU ARE NOTIFIED THAT:

1. The undersigned moving party, **Ameriflex Engineering, LLC**, filed a Motion ☒ For Use of Cash Collateral ☐ To Obtain Credit *(check one)*. A copy of the motion is attached; and it includes (i) the statement required by Local Form #541.5, and (ii) the following allegations:

   a. The immediate and irreparable harm that will come to the estate pending a final hearing is **The cessation of Debtor's business operations**.

   b. The amount of ☒ cash collateral ☐ credit *(check one)* necessary to avoid the harm detailed above prior to the final hearing is **$600,000**.

2. The name and service address of the moving party's attorney (or moving party, if no attorney) are: **Tara J. Schleicher, Farleigh Wada Witt, 121 SW Morrison St., Ste. 600, Portland OR 97204**.

3. A ***PRELIMINARY*** HEARING on the motion WILL BE HELD ON **03/27/17** AT **2:00pm** IN **Courtroom #5, 405 E 8th Ave., #2600, Eugene OR 97401**. Testimony will be received if offered and admissible.

4. If you wish to object to the motion, you must do one or both of the following: (1) attend the preliminary hearing; and/or (2) file with the Clerk of Court (i.e., if the 5-digit portion of the Case No. begins with "3" or "4", mail to 1001 SW 5th Ave #700, Portland OR 97204; OR if it begins with "6" or "7", mail to 405 E 8th Ave #2600, Eugene OR 97401), a written response, which states the facts upon which you will rely and, if the response is filed within three business days before the hearing, notify the judge's chambers by telephone immediately after filing the document, as required by LBR 9004-1(b).

5. On **03/22/17** copies of this notice and the motion were served pursuant to FRBP 7004 on the debtor(s); any debtor's attorney; any trustee; any trustee's attorney; members of any committee elected pursuant to 11 U.S.C. §705; any creditors' committee chairperson [or, if none serving, on all creditors listed on the list filed pursuant to FRBP 1007(d)]; any creditors' committee attorney; the U.S. Trustee; and all affected lien holders whose names and addresses used for service are as follows:

See attached

/s/ Tara J. Schleicher, OSB #95402
Signature of Moving Party or Attorney OSB #

1385 Antelope Road, White City, OR 97053 6097
(If debtor is movant) Debtor's Address & Taxpayer ID#(s) (last 4 digits)

541.1 (6/1/15)

LIST OF INTERESTED PARTIES

SECURED CREDITORS

Pacific Diamond & Precious Metals
Attn: Phillip Cam, President
3770 Devils Garden Road
Medford, OR 97504
pacificdiamond@aol.com

CamCo LLC
3770 Devils Garden Road
Medford, OR 97504
pacificdiamond@aol.com

Bank of the Cascades
Attn: Andrew Gerlicher
PO Box 970
Bend, OR 97709-0970
agerlicher@botc.com

TOP 20 UNSECURED CREDITORS

Rodgers, Steve
c/o Darrel Jarvis
823 Alter Creek Dr.
Medford, OR 97504
djarvis@medfordlaw.net
541 772-1977

Ken-Mac Metals
PO Box 894213
Los Angeles, CA 90189-4213
440-234-7500
248-233-5699 Fax

CED
PO Box 2820
Issaquah, WA 98027
541-665-2332
541-665-2339 Fax

Ryerson Metals
24487 Network Place
Chicago, IL 60673-1244
763-717-9000

B&H Upholstery
Supply 775 Wilson Rd.
Eugene, OR 97402-2714
541-485-1442
541-484-5203 Fax

Timber Products Company
PO Box 840532
Los Angeles, CA 90084
541-747-4577

BRP US Inc.
5986 Collections Ctr Dr
Chicago, IL 60693
819-566-3062 Fax

Pacific Metal Company
PO Box 5000
Portland, OR 97208-5000
541-485-1878
541-485-8217 Fax

Industrial Source
PO Box 2330
Eugene, OR 97402
541-242-6122
541-242-6167 Fax

SASCO Fasteners
2083 Sage Rd
Medford, OR 97501
541-779-2024
541-779-3304 Fax

AM Equipment
PO Box 790
Jefferson, OR 97352
541-327-1546
541-327-3480 Fax

Fisheries Supplies Inc.
1900 N Northlake Way
Seattle, WA 98103
206-632-4462
206.634.4600 Fax

Automotive Paint Specialties
1707 NE Hwy 20 #1
Bend, OR 97701
541-318-3503
541-389-6069 Fax

Rogue Systems, Inc.
147 West Hills Dr
Grants Pass, OR 97526
541-226-6800

Springfield Marine
1093 N Cynthia Dr., Ste 1
Nixa, MO 65714
417-725-2667
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Seattle, WA 98124-5445
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Attwood Corporation
25349 Network Place
Chicago, IL 60673-1253
616-897-9241

Hays Oil Company
PO Box 1220
Medford, OR 97501
541-772-2053
541-779-2602 Fax

Airgas USA LLC
PO Box 7423
Pasadena, CA 91109-7423
541-779-1701

Mike Zoller
c/o Gregory Abel
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Medford OR 97504
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ADDITIONAL PARTIES SERVED

United States Trustee
405 East 8th Avenue
Suite 1100
Eugene, OR 97401

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Attorneys for Debtor Ameriflex Engineering, LLC

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON

In re Ameriflex Engineering, LLC Debtor.	Case No. 17-60837-tmr11 DEBTOR'S STIPULATED EMERGENCY MOTION FOR INTERIM ORDER (1) AUTHORIZING USE OF CASH COLLATERAL; (2) AUTHORIZING GRANT OF ADEQUATE PROTECTION; AND (3) SETTING HEARING FOR FINAL AUTHORITY TO USE CASH COLLATERAL **Expedited Hearing Requested**

Ameriflex Engineering, LLC ("Debtor" or “Ameriflex”), moves the Court pursuant to 11 U.S.C. § 363(c), Fed. R. Bankr. P. ("FRBP") 4001(b)(d), L.R. 4001-1(D), and L.B.R. 9013-1(E) for the entry of an order (1) authorizing, on an interim basis, the Debtor's use of cash collateral pursuant to a budget proposed by Ameriflex and submitted herewith; (2) authorizing the Debtor to grant, on an interim basis, adequate protection in favor of Pacific Diamond & Precious Metals, Inc. (“Pacific Diamond”) on account of the Debtor's use of cash collateral; and (3) after a final hearing held under FRBP 4001(b) and (d), entry of a final order authorizing Debtor to use cash collateral during the pendency of its case. This motion is supported by the files and records herein, the points and authorities below and the accompanying Declaration of Phillip A. Cam in Support of First Day Motions (the “Cam Dec.”). This motion

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does not request any of the provisions set forth in LBF 541.5 (Guidelines Regarding Motions to Use or to Obtain Credit).

A. Jurisdiction and Venue

This Court has jurisdiction over this matter pursuant to 28 USC §§ 157 and 1334. Venue is proper pursuant to 28 USC §§ 1408 and 1409. This is a core proceeding pursuant to 28 USC § 157(b)(2). The statutory predicates for the relief requested herein are sections 105, 361, 362, and 363 of the Bankruptcy Code and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

B. Debtor and its Operations.

Ameriflex commenced this case on March 22, 2017 ("Petition Date"), has retained control over its assets, and continues to operate its business pursuant to 11 U.S.C. §§ 1107 and 1108. No trustee or examiner has been appointed in this chapter 11 case, and no committee has been appointed or designated.

Ameriflex is an Oregon limited liability company formed on March 20, 2008. (Cam Dec., ¶2). It designs, engineers, and manufacturers a variety of sport and fishing boats and related products. *Id.* at ¶ 3. Ameriflex does business as RH Boats and Fish-Rite Boats. *Id.* Ameriflex employs 49 people in a wide range of professional positions including, but not limited to, designers, fabricators, painters, riggers, upholsterers, office management and accounting, sales and marketing. *Id.* It operates out of a large manufacturing facility located on Antelope Road in White City, Oregon (approximately 120,238 square feet). *Id.* Shortly before the filing, Ameriflex had approximately 50 boat orders. *Id*. Ameriflex has a strong relationship with a network of top boat retailers/dealers located in Oregon, Washington, Alaska, California, and Canada. (Cam Dec., ¶ 3). For example, Ameriflex's products are currently sold at Cabela's in Washington and M&P Mercury in Vancouver, British Columbia (Canada's largest boat dealer). *Id*.

Ameriflex produces a unique product. *Id.* at ¶ 4. It designs all of its boats with

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full length, reverse Chine technologies that provide a superior ride and performance over other heavy gauge, all-welded boats in the marketplace. *Id*. The engineering and manufacturing process utilized by Ameriflex is designed to produce among the strongest boat hulls available in the market. *Id*. That proprietary process is referred to as Ameriflex's "Stress Tech" engineering build process. *Id*.

Ameriflex has two members: Cajon, Inc. ("Cajon") and Pacific Diamond, each with a 50% interest. (Cam Dec., ¶ 5). Ameriflex originally had two additional members – AERS Inc. ("AERS") and River Hawk Boats, Inc. ("River Hawk"). *Id.* When Ameriflex was formed, it obtained the assets of then struggling River Hawk and assumed some of its liabilities. *Id*. In December of 2008, AERS, released its membership interest in Ameriflex. *Id.* Several years later, a dispute arose between the remaining three members. *Id.* On March 31, 2014, River Hawk was expelled from Ameriflex. *Id.*

A further dispute arose regarding the value of the River Hawk's equity interest in Ameriflex. (Cam Dec., ¶ 6). The parties initiated an arbitration to determine the value of River Hawk's equity in Ameriflex as of the date of its disassociation. On or about February 25, 2017, an arbitration award (the "Award") was entered valuing River Hawk's equity interest in Ameriflex at $1,500,000. *Id*., ¶ 6, Ex. 1. More specifically, under the Award, Ameriflex must pay Mike Zoller (president of River Hawk before its dissolution) ("Zoller"), $1,500,000 accruing 9% interest in 36 equal monthly payments. *Id.*, Ex. 1, p. 13. (incorporating section 7.6 of Ameriflex's Operating Agreement). That obligation amounts to **monthly** payments of approximately **$47,700**, in addition to a supplemental cost award of $11,245.69 in Zoller's favor. *Id.*, Ex. 1, p. 13, 15. Counsel for Zoller is in the process of obtaining a judgment in state court confirming the Award.

A third-party creditor, SR, LLC ("SR"), intervened in the arbitration. As a result, the arbitration panel made a determination regarding a sizable liability Ameriflex owes to SR. *Id.*, Ex. 1, p. 13. As mentioned, Ameriflex assumed certain liabilities of River Hawk in 2008.

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See generally, (Cam Dec., ¶ 7, Ex. 1, p. 7, ¶46 – p. 8, ¶52). Specifically, River Hawk borrowed certain funds from Steve Rodgers, evidenced by a promissory note. *Id.* SR is the successor in interest to Steve Rodgers. *Id.* Steve Rodgers and SR are hereinafter referred to as "SR" and the aforementioned promissory note is referred to as the "SR Note". After Ameriflex was formed, it briefly made payments on the SR Note in 2009. *Id.* Some question arose regarding whether Ameriflex actually assumed that liability. On June 24, 2015, SR obtained a judgment against River Hawk ("SR Judgment"). *Id.* SR subsequently executed on that judgment and obtained River Hawk's interest in Ameriflex at an auction. *Id.*, Ex. 1, p. 8, ¶52. The arbitration panel held that Ameriflex assumed the SR Note and was liable for the associated debt by virtue of an indemnification claim obtained by SR by virtue of its execution sale. (Cam Dec., Ex. 1, p. 11, ¶13.) As such, the arbitration panel granted SR a money award of $179,823.20 plus interest accruing after June 13, 2016 at the rate of nine percent per annum. *Id.*, Ex. 1, p. 13-14. SR is in the process of petitioning to have the Award confirmed as a state court judgment (*Mike Zoller v. Ameriflex Engineering LLC*, Circuit Court for the State of Oregon, County of Jackson, Case No. 17CV08976).

The Debtor lacks sufficient assets to continue operations, pay its creditors, and satisfy the Awards entered in favor of Zoller and SR. Cam Dec. ¶ 8. Ameriflex commenced this chapter 11 case to prevent any interruption to and protect its business while it reorganizes. *Id.* The continuation of its business and the implementation of a reorganization plan is anticipated to pay creditors a substantial return on their debts that will benefit all involved parties.

C. Prepetition Relationship with Pacific Diamond.

Pacific Diamond is an Oregon business corporation organized in 1986 – almost two decades before the Debtor. *Id.* at ¶ 9. Pacific Diamond was founded as a precious metal dealer and retail jewelry store, dba Pacific Diamond Jewelers. *Id.* Pacific Diamond also developed an advertising business operating under the dba, Commonwealth Advertising. (Cam Dec.,¶9.) Commonwealth Advertising assists other retail businesses in developing advertising

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materials and ad campaigns, along with media placement. *Id.* In 2012, Pacific Diamond Jewelers retail operations was sold and reduced its workforce from 12 to two full-time employees and outsources other employees as needed on various production projects. *Id.* Pacific Diamond currently operates Commonwealth Advertising and has a pared-down operation as a precious metals and jewelry by order dealer.

In the years following its inception, Ameriflex was in need of funding to support its cash flow needs, obtain equipment, and generally expand its business. *Id.* at ¶ 10. Ameriflex made concerted efforts to obtain a line of credit and financing for specific projects from traditional financial institutions. *Id.* Each time, Ameriflex ran into the same problem – traditional financial institutions had issues with the credit of one of its members' principals (Zoller). (Cam Dec.,¶10) Once River Hawk was expelled, the remaining members could not obtain traditional funding until the dispute over the value of River Hawk's equity interest in the company was resolved. *Id.*

On or about March 1, 2013, Ameriflex entered into a Promissory Note Line of Credit and Security Agreement with Pacific Diamond (respectively, the "Line of Credit" and "Security Agreement"). (Cam Dec., ¶11, Exhs. 2-3). Under the Line of Credit, Pacific Diamond periodically provides Ameriflex with advances to fund operations. *Id.* The Debtor has consistently used this line of credit since 2013, but the timing of its draws has been sporadic. *Id*. Since 2013, Debtor's balance on the Line of Credit has been as high as $1.28 million and as low as $369,936. *Id*. As of the Petition Date, the principal balance under the Line of Credit was approximately $681,936. *Id.*

Pursuant to the Security Agreement and UCC-1 Financing Statement filed on December 20, 2013, Pacific Diamond holds a perfected security interest and liens in Debtor's cash collateral including, but not limited to, the Debtor's accounts receivable, cash, goods, inventory, equipment, fixtures, general intangibles, instruments, chattel paper, and certain intellectual property (the "Assets"), and all products, proceeds, rents and profits of the Assets

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(the “Cash Collateral”). (Cam Dec., ¶12, Ex. 4. Pacific Diamond’s perfected lien secured the parties’ existing obligations at the time of its execution, as well as future “liabilities, direct and indirect, absolute or contingent” arising between Debtor and Pacific Diamond. *Id*. Section 363(a) of the Bankruptcy Code defines “cash collateral” as cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents” including “proceeds, products, offspring, rent, or profits of property…whether existing before or after the commencement of a case under this title.”

Pacific Diamond is over secured. Ameriflex estimates the current aggregate value of its inventory, equipment, and accounts receivables at approximately $1,148,000, while the balance on the Line of Credit is currently approximately $681,936. (Cam Dec., ¶13.) However, a substantial portion of that value is comprised of the Debtor’s accounts receivables (approximately $401,000). *Id.* Additionally, Pacific Diamond also has a perfected lien in identifiable proceeds from its collateral currently held in Ameriflex’s cash account. See, e.g., ORS 79.0315.

Without the use of Pacific Diamond’s Cash Collateral, Debtor is without sufficient funds to support its continuing operations. (Cam Dec., ¶14.) For example, Ameriflex needs continued use of its accounts receivables (when paid) and deposit accounts to continue to fund its working capital needs. *Id.* As will be discussed in greater detail in Debtor’s Motion for Authority to Obtain Secured Credit on Interim and Final Basis (“Credit Motion”), it is imperative that Ameriflex maintain good working relationships with its parts suppliers and vendors. It is anticipated that some, and possibly all, of Ameriflex’s vendors will require cash on delivery (“COD”) for supplies (*e.g.*, engine parts, manufacturing materials, etc.). *Id*. In order to continue operations uninterrupted, Ameriflex must continue utilizing Pacific Diamond’s Cash Collateral. *Id*. Additionally, access to a post-petition line of credit from Pacific Diamond is also necessary to continue operations uninterrupted. *Id*. Ameriflex cannot obtain post-petition credit from a traditional financial institution on terms competitive with those Pacific Diamond has offered. *Id*.

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Absent authority to use Cash Collateral on an ongoing basis, Ameriflex would be forced to cease all operations, terminate its 49 employees, and thereby lose the ability of its operations to generate funds to repay creditors. Cam Dec., .¶ 15.

D. Discussion – Use of Cash Collateral and Adequate Protection.

Ameriflex requests authority to use Pacific Diamond's Cash Collateral to pay its operating expenses pursuant to Bankruptcy Code sections 363(c)(1) and (2) in accordance with the attached budget and proposed order attached hereto as Exhibit A (respectively "Budget" and "Proposed Order"). See also, Cam Dec., Ex. 5 Section 363(c) of the Bankruptcy Code provides that the "trustee may not use, sell or lease cash collateral under paragraph (1) of this subsection unless,

> (A) each entity that has an interest in such cash collateral consents; or
>
> (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.

See also, 11 USC 363(d)(2) (providing that a trustee "may use, sell, or lease property under subsection (b) or (c) of this section… only to the extent not inconsistent with any relief granted under subsection (c), (d), (e), or (f) of section 362."); 11 U.S.C. § 361(2) (stating that adequate protection "may be provided by an additional or replacement lien to the extent such stay, use, sale, lease or grant results in a decrease in the value of such entity's interest in such property.") 11 USC § 361(2).

Here, Pacific Diamond consents to Ameriflex's use of Cash Collateral in exchange for a replacement lien. To provide adequate protection for Ameriflex's use of Pacific Diamond's Cash Collateral, Pacific Diamond should be granted a replacement security interest in and lien upon all of Debtor's post-petition assets that are of the same category, type, kind, character and description as were subject to Pacific Diamond's perfected and valid security interests in existence on the Petition Date with the same relative priority as any valid and

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unavoidable lien held by Pacific Diamond as of the Petition Date.

No other creditor has a perfected lien in the above-referenced assets that will be adversely affected by the replacement lien. The Bank of the Cascades ("BOTC") has a perfected purchase money security interest in a custom paint booth. (Cam Dec., ¶ 17.) BOTC's security interest in that collateral has priority over that of Pacific Diamond's. *Id.* On December 20, 2013, Ameriflex executed a security agreement in favor of its landlord, Camco, LLC, to secure a deficiency on back rent. (Cam Dec., ¶ 18.) However, that deficiency was subsequently cured. *Id.* Subsequently, Ameriflex entered into several leases for equipment from CamCo for approximately $1,600 per month ("CamCo Leases"). *Id.* Payment of that lease obligation is secured by the same blanket security agreement. *Id.* Ameriflex intends to assume the CamCo Leases. As stated above, the replacement security interest would continue in the same relative priority and validity as Pacific Diamond's pre-bankruptcy filing.

Lastly, the other creditor UCC filings on record for the Debtor do not secure pre-petition debts. Even if they were, their priority would not be altered by the adequate protection replacement lien proposed. Wells Fargo Commercial Distribution Finance, LLC ("Wells Fargo") has a prior, perfected blanket security interest in Ameriflex's assets. *Id.* That lien was perfected by a UCC financing statement filed on July 6, 2011. *Id.*, Ex. 6. Wells Fargo is the credit facilitator for Yamaha motor purchases through Ameriflex by its dealers ("WF Financing Arrangement"). The aforementioned UCC financing statement is intended to secure performance of the WF Financing Arrangement. *Id.*, ¶17. As of the Petition Date, the WF Financing Arrangement has a zero balance. *Id.* Therefore, Wells Fargo has no interest in the Debtor's Cash Collateral. On or about August 30, 2012, Ameriflex obtained a loan from Rogue Federal Credit Union to finance the purchase of a GMC 5500 flatbed truck. *Id.* To secure that loan, Rogue filed a UCC financing statement to perfect a blanket security interest in the Debtor's assets. *Id.* The Debtor satisfied that loan in 2016 and recently delivered a UCC termination statement to Rogue for it to execute and file. *Id.*

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The Debtor requires the immediate use of the Cash Collateral, to minimize disruption to and avoid termination of its operations, and thereby avoid immediate and irreparable harm to its business pending a final hearing pursuant to Bankruptcy Rule 4001(D)(2). *Id.* at ¶ 19. Allowing Ameriflex to continue using Pacific Diamond's Cash Collateral on a temporary basis will preserve the going concern value of the business and is in the best interest of Debtor's estate. Approval of long term use of Cash Collateral after a final hearing will serve the same exact purpose and will allow Ameriflex to reorganize to the benefit of its creditors. Conversely, if Ameriflex is forced to cease operations and liquidate the return to creditors will be extremely limited.

The proposed use of Cash Collateral with the adequate protection proposed for Pacific Diamond, allows the parties to maintain the status quo pending the Debtor's presentation of a plan of reorganization.

E. Conclusion.

Based upon the foregoing, the Debtor respectfully requests entry of an order (1) authorizing Ameriflex's use of Cash Collateral pursuant to the budget attached hereto as Exhibit A; (2) granting a replacement security interest and replacement lien the Debtor's assets in favor of Pacific Diamond; and (3) setting a final hearing.

Dated: March 22, 2017.

IT IS SO STIPULATED:

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Attorneys for Pacific Diamond & Precious Metals, Inc.

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Case 17-60837-tmr11 Doc 5 Filed 03/22/17

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON

In re Ameriflex Engineering, LLC, Debtor.	Case No. 17-60837-tmr11 [PROPOSED] ORDER AUTHORIZING DEBTOR'S INTERIM USE OF CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION

This matter came before the Court upon Debtor's Stipulated Emergency Motion for Interim Order (1) Authorizing Use of Cash Collateral; (2) Authorizing Grant of Adequate Protection; and (3) Setting Hearing for Final Authority to Use Cash Collateral (the "Motion"). The court having considered the Motion, arguments of counsel, files and records herein, and being fully advised of the premises; now, therefore,

The Court finds as follows:

A. On March 22, 2017 (the "Petition Date"), Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the "Code"). No trustee has been requested or appointed. Debtor is currently operating its business and managing its property as a debtor-in-possession under Sections 1107 and 1108 of the Code.

B. The Court has jurisdiction over this case under 28 U.S.C. §§ 157 and 1334. Venue of this case is properly in this District under 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under 28 U.S.C. §157(b), 11 U.S.C. §§ 105(a) and 363 of the Code,

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EXHIBIT A

FRBP 4001 and LBR 4001-1.D.

C. Ameriflex is an Oregon limited liability company formed on March 20, 2008. It designs, engineers, and manufacturers a variety of sport and fishing boats and related products. Ameriflex does business as RH Boats and Fish-Rite Boats. Ameriflex employs 49 individuals in a wide range of professional positions including, but not limited to, designers, fabricators, painters, riggers, upholsterers, office management and accounting, sales and marketing. It designs all of its boats with full length, reverse Chine technologies that provide a superior ride and performance over other heavy gauge, all-welded boats in the marketplace. Ameriflex has a strong relationship with a network of top boat retailers/dealers located in Oregon, Washington, Alaska, California, and Canada that sell its products.

D. Debtor and Pacific Diamond & Precious Metals, Inc. ("Pacific Diamond") entered into a certain Promissory Note Line of Credit and Security Agreement (respectively, "Line of Credit" and "Security Agreement"). By virtue of the Security Agreement and UCC-1 Financing Statement filed on December 20, 2013, Pacific Diamond holds a security interest and lien in Debtor's assets including, but not limited to, the Debtor's accounts receivable, cash, goods, inventory, equipment, fixtures, general intangibles, instruments, chattel paper, and certain intellectual property (the "Assets"), and all products, proceeds, rents and profits of the Assets (collectively, the "Cash Collateral"). The Cash Collateral meets the definition of "cash collateral" set out in 11 USC § 363(a).

E. The Debtor needs to use Pacific Diamond's Cash Collateral to assure the continued operation of its business. Without the use of Cash Collateral, Debtor will be unable to meet its current working capital needs; retain the employees necessary to conduct its business; purchase sufficient materials, parts, goods and services needed for operations; meet customer obligations; and attract business.

F. Debtor has prepared a budget (the "Budget"), a copy of which is attached hereto as Exhibit A, which sets forth its estimated cash needs for the period from March 22, 2017

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to June 30, 2017 (the "Budget Period").

G. Debtor will suffer immediate and irreparable harm if it is not permitted to use Cash Collateral on an interim basis, consistent with the Budget, to meet its necessary and ordinary course post-petition operating expenses prior to the time prescribed by FRBP 4001(b)(2) for a final hearing for authority to use Cash Collateral.

H. This Order does not contain any of the "discouraged provisions" listed in LBF #541.5,

I. Allowing the Debtor to use Pacific Diamond's Cash Collateral in the amounts and for the purposes detailed in the Budget until a final hearing on use of Cash Collateral ("Final Hearing") is reasonable.

NOW, THEREFORE, it is ORDERED as follows:

A. Authorization for Use of Cash Collateral.

1. Debtor is authorized to use Cash Collateral for the purposes specified in the Budget through the date of the Final Hearing in accordance with the provisions of this Order.

2. Debtor's authority to use the Cash Collateral is limited to the cumulative amounts set forth in the Budget; provided, however, that Debtor's total expenditures may exceed the aggregated budget by up to 15%.

B. Adequate Protection – 11 USC §§ 361(2), 363(c)(1) - (2).

1. Pacific Diamond is hereby granted a replacement security interest and lien upon all property acquired by the Debtor after the Petition Date of the same type, kind, character and description as the property in which Pacific Diamond held a lien or security interest on the Petition Date, with the same validity and priority and to the same extent that Pacific Diamond had valid, enforceable liens and security interests prior to the Petition Date (the "Replacement Liens"). The Replacement Liens shall secure Pacific Diamond to the extent necessary to adequately protect Pacific Diamond from any diminution in value of its interests in property of the Debtor's estate as a result of the use of the Cash Collateral authorized by this Order. Nothing

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in this Order shall not be construed to enhance or improve the position of Pacific Diamond or its interest in property of the Debtor as of the petition date.

2. This Order shall be deemed to constitute a security agreement under the applicable provisions of the Uniform Commercial Code ("UCC") in effect in states where the Debtor (a) is domiciled, (b) operates its business, and (c) maintains its principal place of business. The liens and security interests granted by this Order are perfected by operation of law upon entry of this Order by the Court and by the pre-petition recording of a UCC-1 Financing Statement by Pacific Diamond. Pacific Diamond shall not be required to file any additional financing statements or take any other action to perfect the Replacement Liens beyond what it already filed pre-petition.

3. Nothing contained in this Order shall constitute a determination as to the amount, validity or priority of any obligation, security interest or lien. The rights of all parties in interest (including the Debtor) to claim that a lien or security interest in Debtor's property is unperfected, unenforceable, invalid or voidable, is reserved. Furthermore, nothing in this Order shall be construed to convert any pre-petition obligations into post-petition obligations or require payment of any obligations on confirmation of a plan of reorganization.

C. Effectiveness.

1. This Order shall be effective retroactive to the Petition Date.

2. Unless earlier terminated or extended by further Court order, the Debtor's authorization to use Cash Collateral pursuant to this Order shall expire on the close of business on the date set for the Final Hearing; provided, however, that all rights and interests created or preserved hereunder shall survive such termination.

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D. Final Hearing.

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1. A hearing on Debtor's motion for final authority to use cash collateral shall be held in Courtroom #5 of the United States Bankruptcy Court for the District of Oregon, 405 E 8th Ave #2600 Eugene, OR 97401, on March ___, 2017, at _____________, or as soon thereafter as counsel may be heard.

2. Objections, if any, to the relief requested in the motion shall be in writing, shall state the name of the objecting party and the nature of the claim or interest of such party, shall state with particularity the reasons for the objections to the relief requested, and shall be served upon (A) counsel for the Debtor, Farleigh Wada Witt, Attn: Tara J. Schleicher, 121 S.W. Morrison Street, Suite 600, Portland, Oregon, 97204, and (B) counsel for Pacific Diamond, Loren Scott, The Scott Law Group, 2350 Oakmont Way, Suite 106, Eugene, OR 97401.

# # #

I certify that I have complied with the requirements of LBR 9021-1(a).

PRESENTED BY:

FARLEIGH WADA WITT

By:/s/ Tara J. Schleicher
Tara J. Schleicher, OSB #954021
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Of Attorneys for Debtor

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	Mar-17	Apr-17	May-17	Jun-17
Beginning Cash Balance	$ 242,404	$ 335,451	$ 431,872	$ 435,302
Cash Receipts				
A/R Collections	$ 517,944	$ 582,875	$ 572,905	$ 589,700
Net Income	$ 74,600	$ 67,440	$ 67,000	$ 86,000
Pre-Petition Advance PDPM LOC	$ 312,000	$ -	$ -	$ -
Total Cash Receipts	$ 904,544	$ 650,315	$ 639,905	$ 675,700
Cash Disbursements				
Boat Materials & Trailers	$ 209,400	$ 153,857	$ 177,800	$ 185,800
Motors	$ 314,900	$ 202,000	$ 248,000	$ 256,000
Parts, Freight, Supplies & Delivery	$ 47,500	$ 27,736	$ 39,000	$ 53,400
Truck Expense	$ 3,300	$ 1,631	$ 3,200	$ 2,770
Insurance	$ 2,067	$ 2,067	$ 2,067	$ 2,067
Workers Comp. Expense	$ 3,104	$ 2,967	$ 2,862	$ 4,500
Corp. Officer Guar. Pmt.	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Payroll Expenses	$ 99,200	$ 94,700	$ 93,250	$ 142,000
Payroll Taxes	$ 10,500	$ 10,036	$ 9,682	$ 15,294
Pre-Petition Professional Fees	$ 23,300			
Rent	$ 15,394	$ 15,394	$ 15,394	$ 15,394
Utility Deposits Post-Petition	$ 3,311			
Utilities	$ 10,400	$ 9,254	$ 8,165	$ 6,500
Outside Services/Engineering	$ 5,200	$ 5,000	$ 5,000	$ 3,240
Promotions- "Boat Show Bucks"	$ 29,500			
G & A and Taxes	$ 9,746	$ 10,692	$ 15,400	$ 12,120
Interest & Flooring Charges	$ 13,800	$ 12,560	$ 10,655	$ 9,500
US Trustee Fees	$ 4,875	$ -	$ -	$ 6,500
Total Cash Disbursements	$ 811,497	$ 553,894	$ 636,475	$ 721,085
Net Cash Flow from Operations	$ 93,047	$ 96,421	$ 3,430	$ (45,385)
Payments on PDPM LOC	$ -	$ -	$ -	$ -
Ending Cash	$ 335,451	$ 431,872	$ 435,302	$ 389,917
Beginning Bal. PDPM LOC	$ 369,936	$ 681,936	$ 681,936	$ 681,936
Pre-Petition Advances	$ 312,000			$ -
Payments	$ -	$ -	$ -	$ -
Ending Bal. PDPM LOC	$ 681,936	$ 681,936	$ 681,936	$ 681,936

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